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September 25, 2006

Charles L. A. Terreni, Esquire  
Chief Clerk and Administrator  
Public Service Commission of South Carolina  
101 Executive Center Dr., Suite 100  
Columbia, South Carolina 29210

RE: Docket No. 1997-239-C Annual Lifeline Report

Dear Mr. Terreni:

Enclosed you will find the 2005-2006 Lifeline Annual Report. This is filed pursuant to Order No. 2005-296. The ORS staff is available to brief the Commission on the program should you so desire.

Sincerely,

Katie C. Morgan  
Director

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# **Annual Report on the South Carolina Universal Service Fund Lifeline and Link-up Programs**

**Prepared by the Office of Regulatory Staff**

**September 2006**

## **I. Introduction**

The Lifeline and Link-up programs are federal and state programs that reduce the cost of basic telephone service for low-income consumers. For many poverty-level South Carolinians, these programs make the difference between having or not having a telephone. In July 2005, ORS launched a program aimed at raising awareness of these benefits and assisting our citizens who qualify for those benefits to obtain them. By increasing the number of telephone subscribers receiving Lifeline and Link-up benefits, ORS anticipates that South Carolina's portion of the Federal USF pool will increase as ORS' efforts to ensure that worthy recipients are able to take advantage of these programs take effect.

This report highlights the history of ORS's initiative and our progress over the past year.

## **II. Background**

"Universal Service" is a shorthand term for this country's long-standing desire to ensure that the greatest possible number of citizens have access to affordable basic telephone service. This universally available telephone service is a goal for which both federal and state governments have strived.

The initial needs-based program implemented by the Federal Communications Commission was the Link-up program. Link-up's premise is that the greatest obstacle in obtaining residential telephone service is the high cost of the initial connection or installation and that by subsidizing the start-up cost, more low-income Americans will be able to enjoy the availability of residential telephone service.

Later, the FCC added an additional needs-based program to assist low-income consumers in paying the monthly recurring expenses of their residential telephone service. This program is now known as Lifeline. The FCC stipulated that participation in the Lifeline program was contingent upon states' or telephone companies' pledges to fund a portion of its costs.

In South Carolina, the first local telephone company to offer Lifeline service was BellSouth. Following a review of the company's earnings by the South Carolina Public Service Commission, BellSouth was ordered to implement a Lifeline program. [See Docket 1993-503-C]

In 1996 the Federal Telecommunications Act expanded the principle of universally available telecommunications services and paved the way for the creation of the Federal Universal Service Fund (USF).<sup>1</sup> The USF's purpose was to help fund the deployment of telecommunications services to all areas of the nation, especially those rural areas that were not otherwise cost-effective to serve. The Act also caused the FCC to modify its existing Lifeline and Link-up programs – dropping its requirement that states and local telephone carriers assist in funding Lifeline in order to receive the program's benefits. In South Carolina, this change allowed the expansion of the Lifeline program into all areas of the state.

The current federal Lifeline and Link-up America programs offset the cost of basic telephone service for qualified low-income subscribers. Lifeline provides an end-consumer discount of \$10 per month on basic telephone service, and Link-up pays one half (up to \$30) of the cost of initial installation of residential phone service.<sup>2</sup> Local

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<sup>1</sup> See 47 U.S.C. §254 *et seq*

<sup>2</sup> See <http://www.fcc.gov/cgb/consumerfacts/lowincome.html>

telephone companies are then reimbursed for these discounts out of the Federal USF. In addition to the \$10 per line credit received from the Federal Universal Service Fund, South Carolinians meeting income qualifications receive an additional credit of \$3.50 per line per month from the South Carolina Intrastate Universal Service Fund.

In administering the Federal USF, states have the discretion to establish narrowly tailored guidelines to qualify consumers to receive Lifeline and Link-up credits. However, such guidelines must be based solely on income. Prior to May of 2004, state guidelines allowed any South Carolinian receiving benefits from Food Stamps, Temporary Assistance for Needy Families (Formally AFDC), or Medicaid to receive Lifeline and Link-up credits from both the federal and state Universal Service funds. Following a settlement between BellSouth and the South Carolina Consumer Affairs division, BellSouth agreed to add an additional criterion for customers in its service area. Specifically, BellSouth agreed to extend Lifeline eligibility to households with incomes up to 125% of federal poverty guidelines provided that an agency of the state would handle the verification process.

In December of 2004, the Office of Regulatory Staff requested authorization to serve as the one agency handling Lifeline applicants within BellSouth territories seeking qualification under the new 125% poverty standard. ORS requested authorization to utilize state Universal Service Fund (USF) monies to increase awareness of both Lifeline and Link-up and to help qualify additional state residents for Lifeline and Link-up credits.<sup>3</sup> At the time, ORS had determined that 23,000 South Carolina households – only 10% of those eligible according to the 2000 census – were receiving Lifeline benefits.

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<sup>3</sup> *In Re: Proceeding to Establish Guidelines for an Intrastate Universal Service Fund – Order Approving Request for Authorization*, Docket No. 97-239-C, Order No. 2005-296, Released June 6, 2005.

By adding the new eligibility standard for BellSouth customers, the number of possible Lifeline households grew from 230,000 to 271,500 which, if fully realized, will result in \$6 million flowing to South Carolina from the Federal USF annually.

The PSC granted ORS's request in June of 2005, thus approving the expenditure of \$213,543 from the state USF to cover administrative and promotional costs of those efforts.<sup>4</sup> This report provides an overview of ORS's actions and results in this area during the past year.

### **III. Current Strategy**

ORS's strategy for maximizing the benefits of this federal program for South Carolinians is twofold: 1) implementing an outreach campaign aimed at citizens who currently receive Medicaid, Food Stamps, or Temporary Assistance to Needy Families (TANF) but are unfamiliar with the programs and 2) qualifying additional applicants who meet expanded eligibility requirements (125% of the federal poverty guidelines) as outlined in the Bellsouth agreement.

#### **A. Outreach**

In August of 2005, ORS hired Ms. Brenda Lee to oversee Lifeline and Link-up outreach. A former state legislator, Ms. Lee has 20 years of experience working with social service programs and is well versed in navigating South Carolina's vast web of agencies, charities, and non-profit organizations. In her role as Lifeline Outreach Manager, she travels the state meeting with front-line aid workers and speaking to large and small groups to increase awareness of these programs. For the nine-month period running from October 2005 through June 2006, Ms. Lee gave 66 seminars attended by an

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<sup>4</sup> *Id.* at p. 5.

estimated 21,000 people. Brochures were distributed at all of ORS's outreach seminars and also to social service agencies.<sup>5</sup> During the past nine months, an estimated 33,700 leaflets describing these programs were placed in the hands of the public. (See attached brochure.)

In addition to these seminars, ORS was invited to speak in November 2005 at South Carolina's Department of Social Services statewide directors' training conference. ORS presented overviews of the Lifeline and Link-up programs and provided posters to each county office. The response from this one event was very apparent – many customers have called ORS since that time saying they learned of the program from a poster in a DSS office.

In January 2006, ORS supplied flyers and applications to seventy-two BellSouth payment centers and five Sprint payment centers across South Carolina. A re-supply set of applications and flyers were sent to these payment centers in June 2006.

ORS recently partnered with the South Carolina Association of Community Action Partnerships (SCACAP). This partnership will allow SCACAP to be a centralized repository of Lifeline and Link-up materials and to assist in advancing statewide awareness of the programs through fifteen Community Action Agencies and twenty-one Head Start programs covering all forty-six counties in South Carolina. SCACAP agreed to coordinate training opportunities, meetings, mailings, and publications with all S.C. Community Action Agencies and Head Start programs allowing ORS to reach far greater areas of the state through this partnership.

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<sup>5</sup> The Lifeline outreach brochure may be viewed at:  
[http://www.regulatorystaff.sc.gov/imagesUpload/red\\_lifeline\\_card.pdf](http://www.regulatorystaff.sc.gov/imagesUpload/red_lifeline_card.pdf)

Finally, ORS's outreach strategy includes marketing toward five demographic groups: low income households, South Carolina's African-American community and Hispanic community, the state's elderly population, and its disabled population. Marketing efforts to reach these groups include targeted advertisements in *The Black Pages* (a yellow pages-like resource guide aimed at African-American households) and ads in *La Opinion Hispana*, which publishes both a Spanish-language newspaper and a directory which serves upstate South Carolina. ORS personnel also attended trade shows such as Charleston's Black Expo as a means of further reaching out to South Carolina citizens.

## **B. Intake**

In addition to hiring an Outreach Coordinator, ORS brought on Ms. Elizabeth Ford as Lifeline Intake Manager in September of 2005. Ms. Ford handles many administrative duties of the program, in addition to fielding calls directly from Lifeline applicants.

As part of its intake efforts, ORS established processes for carrying out its new role as verifying agency for households within BellSouth service areas at or below 125% of federal poverty guidelines. ORS acts as a single point of contact for consumers, and its staff walks applicants through the qualification process. Although these mechanisms were created to assist consumers in BellSouth territories who qualify under the 125% poverty guideline, ORS personnel also assist consumers across the entire state who qualify under the Food Stamps, TANF, and Medicaid criteria to receive Lifeline benefits. ORS also worked to add its qualification data to the larger database maintained by the



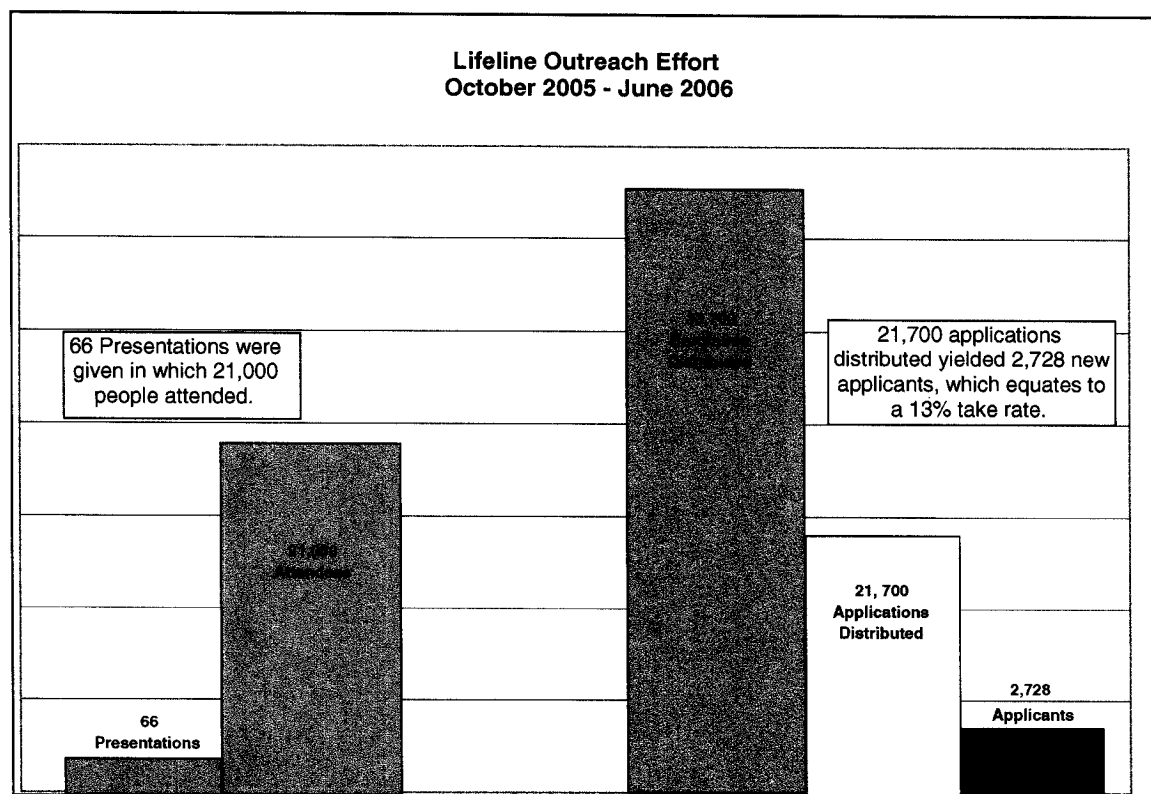
Office of Research and Statistics against which telephone companies perform ongoing eligibility verification.

### **C. Other Initiatives**

In response to the devastation of Hurricane Katrina in the late summer of 2005, ORS petitioned the Public Service Commission for permission to temporarily waive some Lifeline and Link-up qualification criteria for citizens affected by the storm. The PSC granted the motion allowing ORS to issue a waiver of Lifeline and Link-up qualifications for victims of Hurricane Katrina displaced to South Carolina. ORS coordinated this program with frontline agencies such as DSS, DHHS, the Office of Research and Statistics, the Columbia Housing Authority, and the Emergency Management Division, to provide a fuller package of aid to those in need. The relaxed qualifications allowed those individuals who had been relocated to South Carolina to receive a one-time issuance of Link-up and Lifeline benefits for six months. At the conclusion of the six month period, Katrina evacuees receiving Lifeline benefits could continue to receive Lifeline benefits if they met the program's standard guidelines. ORS itself helped to qualify approximately 60 Katrina Lifeline and Link-up customers; that number does not include those individuals who may have contacted their telephone company directly.

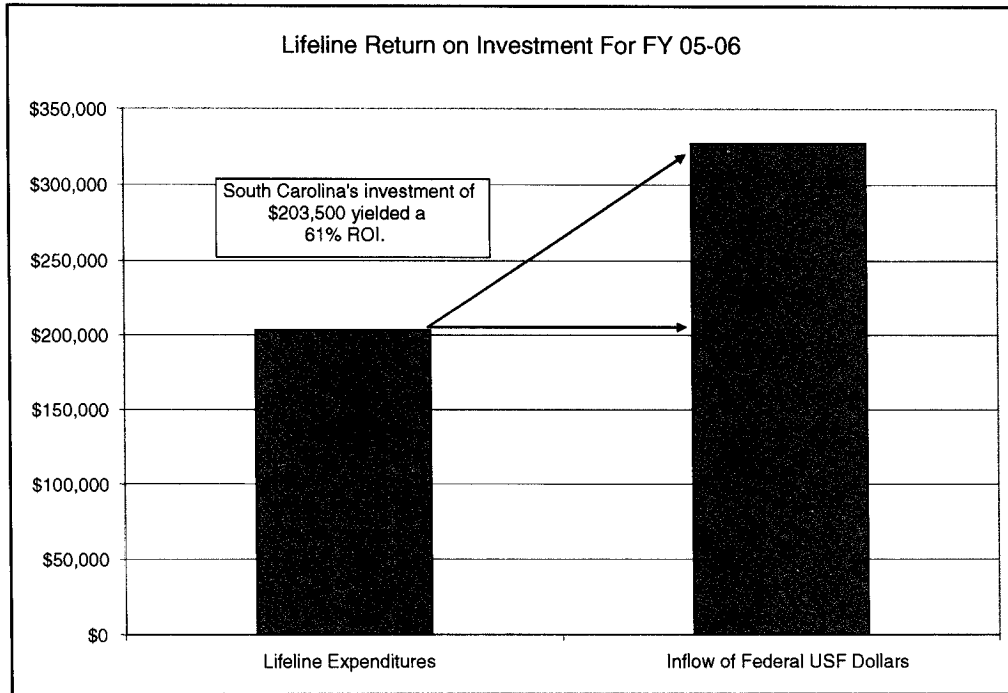
#### IV. Results

As previously mentioned, only 23,000 of an estimated 230,000 eligible households were receiving recurring Lifeline credits as of December 2004. With the addition of the 125% poverty guideline in BellSouth service areas, the estimated number of eligible households grew to 271,500. For the nine months between October 2005 and June 2006, ORS helped to add over 2,700 Lifeline customers in South Carolina.



This level of participation, as a proportion of applications distributed, represents a “take rate” of 13%. These numbers do not include the additional consumers who may

have learned about Lifeline and Link-up through one of ORS's outreach efforts and contacted their telephone companies directly; those figures were not yet available at the time of this report.

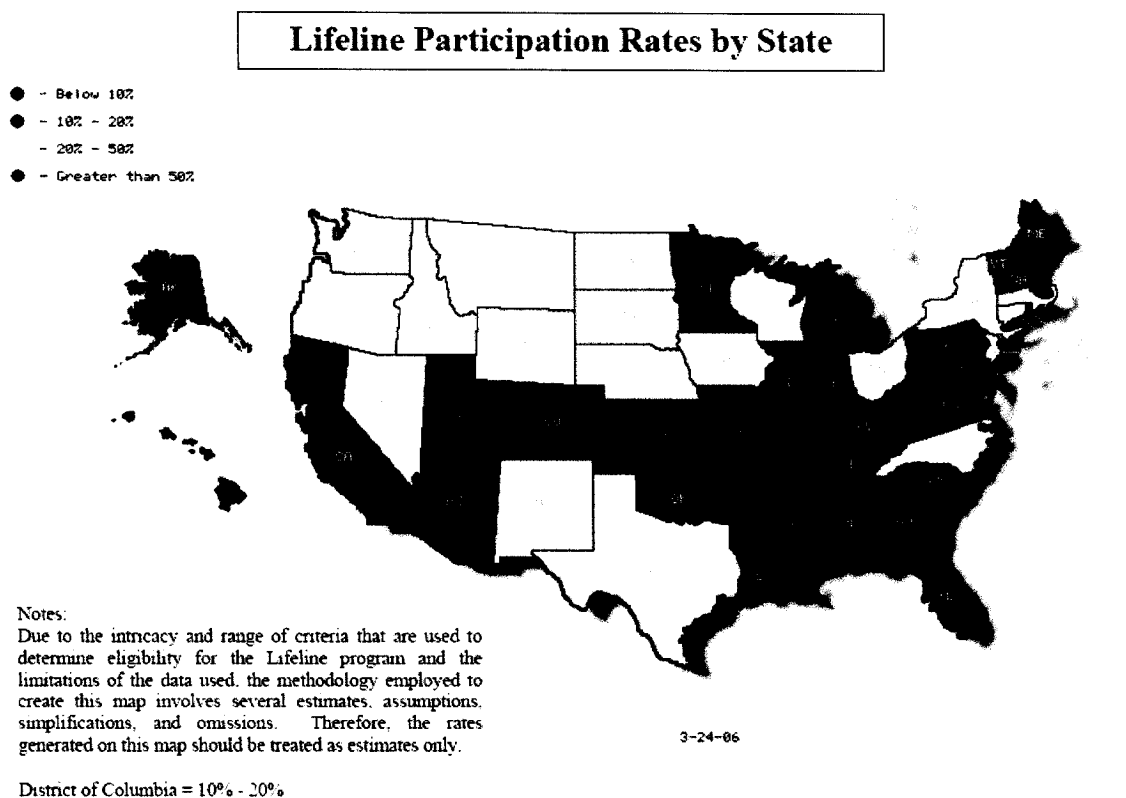


The cost of the program during Fiscal Year 2005-2006 was approximately \$203,500. For each household participating in Lifeline and Link-up, \$120 of federal USF funds comes into South Carolina annually. Therefore, the cost of the program in relation to the federal funds it brings into the state represents a Return on Investment (ROI) of 61%. In September of this year, South Carolina's telephone carriers will report their annual USF and Lifeline subscriber figures, at which time we will have a clearer picture of the impact these efforts are having on the state.

On an individual basis, the Lifeline customers that ORS has helped to qualify realized a collective \$305,040 in telephone discounts during a nine-month period. The savings resulting from these discounts were then available for these consumers to use for other necessary expenditures.

## V. Future Goals

The Universal Service Administrative Company (USAC) completed a study of participation rates in 2005 for the Lifeline program in each state. The study uses the United States Census data to determine the number of households in each state.<sup>6</sup>



2005 USAC Lifeline Program Participation Study

ORS's ongoing goals are to continue to raise awareness about Lifeline and Link-up through in-person and mass media outreach. Ideally, ORS would like to see annualized Lifeline subscriber growth of 12% per year, escalating upward as our efforts become more established. South Carolina's outreach efforts are in line with those supported nationally through the National Association of Regulatory Utility Commissioners (NARUC) Lifeline/Link-up Task Force. These efforts should result in

<sup>6</sup> See <http://www.usac.org/li/about/participation-rate-information.aspx>

increased participation and an increase standing in national evaluations of Lifeline/Link-up participation.

ORS remains committed to maximizing the benefits of Lifeline and Link-up for South Carolina's eligible citizens. Providing affordable, ubiquitous telephone service is a goal we will continue to embrace.



# **SAVE MONEY**

## **South Carolina LIFELINE and LINK-UP Programs**

The LIFELINE assistance program provides a monthly credit of \$13.50 on a residential landline telephone bill.

LINK-UP provides a 50 percent reduction of the installation and service charges (up to \$30) to qualifying residential customers.

You may qualify for LIFELINE and LINK-UP if you receive one of the following:

- Family Independence
- Food Stamps
- Medicaid

For more information about LIFELINE and LINK-UP contact the Office of Regulatory Staff  
803-737-5234 (Columbia, S.C.)  
1-866-788-6565 (Toll-Free)

The LIFELINE and LINK-UP programs offer monetary assistance to qualified residential telephone customers.

They are designed to ensure that basic telephone connection (hookup) and service remain affordable to all S.C. residents. These programs are funded through the Universal Service Fund, which is administered in South Carolina by the S.C. Office of Regulatory Staff, 1441 Main St., Ste 300, Columbia, SC 29201.

Brenda Lee, Outreach Manager  
Elizabeth Ford, Intake Manager